



# **SANIX INCORPORATED**

## Consolidated/Non-Consolidated Financial Summary

For the Fiscal Year ended March 31, 2010

The financial figures in this document are based on Japanese Accounting Standards and accompanying laws. Amounts are rounded off to 1 decimal place. This document is an English translation of the Japanese-language original.

**Consolidated Financial Statements**

For the Fiscal year ended March 31, 2010

**SANIX INCORPORATED**

Stock Listed: Tokyo Stock Exchange First Section, Osaka Stock Exchange First Section, Fukuoka Stock Exchange

Code No.: 4651

URL: [http://sanix.jp/index\\_e.htm](http://sanix.jp/index_e.htm)

President and CEO: Shin-ichi Munemasa

Contact: Masahiro Shimojo, Director, Management and Planning Division

**1. Consolidated Financial Highlights for the Year ended March 31, 2010**

(April 1, 2009 to March 31, 2010)

**(1) Consolidated Operating Results**

(Millions of Yen)

	Fiscal Year			
	between April 1 and March 31			
	FY2008	% change	FY2009	% change
Net Sales . . . . .	25,233	(4.8%)	<b>24,539</b>	<b>(2.8%)</b>
Operating Income . . . . .	(596)	-	<b>390</b>	-
Recurring Profit . . . . .	(620)	-	<b>224</b>	-
Net Income . . . . .	(4,145)	-	<b>(3,676)</b>	-
Net Income per Share(¥) . . . . .	(¥86.88)	-	<b>(¥77.06)</b>	-
Net Income per Share, Diluted(¥) . . . . .	-	-	-	-
Return on Equity . . . . .	(32.5%)	-	<b>(41.5%)</b>	-
Ratio of Recurring Profit to Net Assets . . .	(2.6%)	-	<b>1.1%</b>	-
Ratio of Operating Income to Net Sales . .	(2.4%)	-	<b>1.6%</b>	-

**(2) Consolidated Financial Position**

(Millions of Yen)

	As of March 31	
	FY2008	FY2009
Total Assets . . . . .	20,869	<b>19,995</b>
Net Assets . . . . .	10,730	<b>7,054</b>
Shareholders' Equity Ratio (%) . . . . .	51.3%	<b>35.1%</b>
Net Assets per Share (¥) . . . . .	¥224.30	<b>¥147.24</b>

Note (1) Shareholders' equity

Fiscal Year ended March 31, 2010 7,024 million yen

Fiscal Year ended March 31, 2009 10,701 million yen

### (3) Consolidated Financial Cash Flows

(Millions of Yen)

	Fiscal Year	
	from April 1 to March 31	
	FY2008	FY2009
Cash Flows from Operating Activities . . . . .	(88)	<b>563</b>
Cash Flows from Investing Activities . . . . .	814	<b>(2,304)</b>
Cash Flows from Financing Activities . . . . .	(696)	<b>1,946</b>
Balance of Cash and Cash Equivalents at End of Period .	1,049	<b>1,254</b>

### 2. Dividends

	Fiscal Year		
	from April 1 to March 31		
	FY2008	FY2009	FY2010(Forecast)
Dividend per Share at the end of 1st Half (¥) . . .	¥0.00	<b>¥0.00</b>	¥0.00
Dividend per Share at the end of the year (¥) . .	¥0.00	<b>¥0.00</b>	¥0.00
Annual dividend per Share (¥) . . . . .	¥0.00	<b>¥0.00</b>	¥0.00
Total dividend . . . . .	-	-	-
Pay-out ratio (%) . . . . .	-	-	-
Ratio of dividend to total capital (%) . . . . .	-	-	-

### 3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31, 2011)

(Millions of Yen)

	FY2010			
	First Half	% change	Full Year	% change
Net Sales . . . . .	14,400	19.4%	27,500	12.1%
Operating Income . . . . .	1,060	473.0%	1,240	217.7%
Recurring Profit . . . . .	1,016	659.7%	1,150	411.4%
Net Income . . . . .	820	-	900	-
Net Income per Share(¥) . . . . .	¥17.19	-	¥18.86	-

### 4. Others

(1) Number of Shares Issued and Outstanding at Period End

(Shares)

	As of March 31	
	FY2008	FY2009
Number of shares issued and outstanding at period end .	48,919,396	<b>48,919,396</b>
Number of treasury stocks at period end . . . . .	1,209,633	<b>1,209,971</b>

## Reference: Non-Consolidated Financial Highlights

### 1. Non-Consolidated Financial Highlights for the Fiscal Year ended March 31, 2010

(April 1, 2009 to March 31, 2010)

#### (1) Non-Consolidated Operating Results

(Millions of Yen)

	Fiscal Year			
	between April 1 and March 31			
	FY2008	% change	FY2009	% change
Net Sales . . . . .	23,372	(8.3%)	<b>22,647</b>	<b>(3.1%)</b>
Operating Income . . . . .	(634)	-	<b>(58)</b>	-
Recurring Profit . . . . .	(667)	-	<b>(168)</b>	-
Net Income . . . . .	(4,079)	-	<b>(3,880)</b>	-
Net Income per Share( ¥) . . . . .	(¥85.51)	-	<b>(¥81.33)</b>	-
Net Income per Share, Diluted( ¥) . . . . .	-	-	-	-

#### (2) Non-Consolidated Financial Position

(Millions of Yen)

	As of March 31	
	FY2008	FY2009
	Total Assets . . . . .	20,580
Net Assets . . . . .	10,144	<b>6,264</b>
Shareholders' Equity Ratio (%) . . . . .	49.3%	<b>32.8%</b>
Net Assets per Share( ¥) . . . . .	¥212.63	<b>¥131.30</b>

Note (1) Shareholders' equity

Fiscal Year ended March 31, 2010	6,264 million yen
Fiscal Year ended March 31, 2009	10,144 million yen

### 2. Forecasts for Non-Consolidated Business Results

(For the fiscal year ending March 31, 2011)

	FY2010			
	First Half	% change	Full Year	% change
Net Sales . . . . .	13,100	15.7%	25,000	10.4%
Operating Income . . . . .	770	545.8%	800	-
Recurring Profit . . . . .	740	745.4%	755	-
Net Income . . . . .	553	-	525	-
Net Income per Share( ¥) . . . . .	¥11.59	-	¥11.00	-

Note: Forecasts above are based on assumptions, prospects and plans as of the date of this document. Actual results may differ significantly from these forecasts, due to various factors affecting the Company's business performance, such as change in economical conditions.

# I. Business Results

## 1. Earnings

### (1) Current Fiscal Year Overview

In the current consolidated fiscal year, there were some signs that the economy hit bottom and started recovering from the global recession caused by the financial turmoil since the year before last. However, the outlook of the Japanese economy remained unclear due to lingering weakness in employment and consumer spending.

Under these circumstances, the SANIX Group reinforced legal compliance and customer-oriented marketing to recover customer confidence in the Company. At the same time, SANIX focused on improving productivity, reducing costs and implementing other streamlining measures to improve profitability.

In the current consolidated fiscal year, with Sanix Energy Inc., one of the consolidated subsidiaries, acquiring shares of K.K. Hokuai and K.K. C&R who hold a landfill site in Tomakomai City, Hokkaido on October 30, 2009, the ERD (Environmental Resources Development) Division could not only reduce expenses for disposal of incinerated ashes discharged from Tomakomai Power Plant, but also secure a new revenue source by accepting landfill wastes from companies outside the Group. In addition, the HS (Home Sanitation) Division commenced the marketing of a new product, "Solar Photovoltaic Power Generation System" for a detached house, from the end of October 2009.

In the current consolidated fiscal year, the Group saw sales in the HS Division and the ES (Establishment Sanitation Division) Division decrease over the last year due to effects of economic slowdown, but those in the ERD Division increase over the last year. As a result, the Group's total sales amounted to 24,539 million yen (a 2.8% decrease year-on-year).

Regarding incomes, the Group saw profitability improve, since it implemented streamlining measures to reduce fixed costs. Sanix Energy Inc., one of the consolidated subsidiaries, acquired a landfill site in Tomakomai City, Hokkaido. Due to modification of the business vision to cope with the significantly deteriorating business environment for plants in the ERD Division, Sanix has changed the grouping of the resource-recycling power generation business and re-assessed the amount recoverable in the future. As a result of this reassessment, the Group recorded an impairment loss of 3,701 million yen as an extraordinary loss. Consequently, the Group reported operating income of 390 million yen (operating loss of 596 million yen for the last year), ordinary income of 224 million yen (ordinary loss of 620 million yen for the last year) and net loss of 3,676 million yen (net loss of 4,145 million yen for the last year).

Consolidated results of individual divisions for the year were as follows:

#### **Earnings of Individual Divisions:**

##### **Home Sanitation Division**

In the HS Division, sales in Termite Eradication Services declined by 9.7% from the last year amid sluggish consumer spending, despite some effects of a television advertising campaign during the busy period of termite eradication (April to June). Meanwhile, sales in Foundation Repair Treatment and Reinforcement Services plunged by 40.9% from the last year, since the first-round effects of the sales campaign has ended. Meanwhile, sales in Under-Roof/Floor Ventilation Systems steadily increased by 17.5% (year-on-year). And the Division commenced the marketing of a new product, "Solar Photovoltaic Power Generation System" from the end of October 2009. As a result, sales in the HS Division amounted to 14,056 million yen (down 4.1% from the last year).

Regarding operating margins, the Division promoted downsizing to reduce sales and general administrative expenses, but the Division's operating income decreased by 3.0% year-on-year to 3,365 million yen, since the Division has begun marketing the "Solar Photovoltaic Power Generation System" with a thinner profit-margin than the existing products. The operating-income-to-sales ratio stands at 23.9% (23.7% in the previous year).

### **Establishment Sanitation Division**

The ES Division consolidated 13 stores in March 2009 to improve business efficiency and recover profitability by concentrating managerial resources on sales activities for corporate customers, such as building and condominium management companies in the Tokyo, Nagoya and Fukuoka areas. As a result, the Division finally posted an operating profit of 211 million yen (operating loss of 89 million yen for the last year), since fixed costs decreased due to implementation of cost-cutting measures, although sales decreased by 14.4% (year-on-year) to 2,547 million yen.

### **Environmental Resources Development Division**

Sales in Waste Plastic Processing increased by 19.2% (year-on-year), due to increases in the number of customers and volume of plastic brought in, though the processing unit price was lowered to cope with customers' demands for reduced prices during the economic slump. "Power sales" at the Sanix Energy's Tomakomai Power Plant decreased by 17.7% from the last year, due to unit sales prices declined due to weak electricity demand as a result of production adjustments in the manufacturing sector. Sales in Organic Liquid Waste Processing fell by 19.6% (year-on-year), since the volume of waste water brought in from the restaurant industry and food processing factories decreased due to the slowing economy. In addition, the Group recorded sales of "final disposal" from the third quarter of the current consolidated fiscal year, since it acquired a landfill site. As a result, sales in the ERD Division amounted to 7,934 million yen (up 4.4% from the last year).

Regarding earnings, repair expenses increased, since an extra expense was incurred for an unscheduled work during the Sanix Energy Tomakomai Power Plant's annual facility maintenance conducted in May 2009. Personnel expenses rose at plastic recycling plants, since the Company increased the number of employees in anticipation of a possible expansion in the volume of plastic brought in. As a result, the Division reported an operating loss of 1,112 million yen (operating loss of 1,818 million yen for the last year).

## **(2) Prospect for Next Year**

In the fiscal year ending March 2011, Sanix will aim to establish a "lean business structure" by continuously improving earnings structure, striving to turn business around by upgrading its compliance system to "enhance customer satisfaction." In the HS Division, sales of the existing products are expected to decrease compared with the previous fiscal year, since consumer spending is estimated to remain sluggish, although there have been signs of economic recovery. Regarding a new product, "Solar Photovoltaic Power Generation System," the Division expects sales to expand steadily due to effects of the central and local governments' home-use solar photovoltaic power generation subsidy program. In the ES Division, the Company will try to improve profitability by strengthening sales activities targeted at corporate customers such as building and condominium management companies in Tokyo, Nagoya and Fukuoka areas. In the ERD Division, profitability of "Power Sales" is expected to improve further, since the Sanix Energy Tomakomai Power Plant has operated stably and continuously with successful results; the acquisition of a landfill site will lead to a decline in expenses for disposing of incinerator ash; electricity unit prices are estimated to remain at higher levels than those traded in the consolidated fiscal year ended March 2010, due to a change in its sales method from electricity wholesaling to electricity sales based on individual contracts with companies. In the waste plastic processing business, management will strive to maintain the current uptrend by actively cultivating the market through commencing self collection and transportation, while beginning the production and marketing of RPF (recycle plastic fuel) that has been widely used as coal alternative fuel mainly by paper and steel manufacturers to secure new purchasers of waste plastic fuel. Consequently, the Company expects sales in the ERD Division to grow solidly. Regarding the Group's earnings, management expects net income for the fiscal year ending March 2011 to return to the black, since the earnings structure of the ERD Division is likely to be established, with the power generating business in the ERD Division taking off.

### **(3) Progress of Mid-term Business Plan**

On April 22, 2010, the SANIX Group announced “*Spring Plan 2012*”, its medium-term business plan for three years from the year ended March 31, 2011 through the year ending March 31, 2013.

In the plan, going back to the starting point of our mission, “Create clean and comfortable living environments for various spaces,” the Group will establish a foundation for further growth by having three divisions - HS Division, ES Division and ERD Division - work together to meet growing social needs regarding the environment.

In the HS Division, we aim to foster “Solar Photovoltaic Power Generation System” that we began marketing as the second mainstay in the division and expand our domestic market share with the price competitiveness. And we also aim to shed dependence on the door-to-door sales and strengthen corporate sales and wholesales. In the ES Division, we try to maintain and upgrade our lean structure to secure profits based on streamlining through “selection and concentration.” In the ERD Division, we seek to further increase the volume of waste plastic accepted that has been on the rise and grow the division as one of the Company’s prime revenue streams by stably operating the power plant and changing electricity purchasers.

By the end of the final year of the med-term business plan, we will complete establishing a business base for a full-fledged growth in the future.

## 2. Financial Condition

### (1) Assets, Liabilities and Net Assets

Total assets amounted to 19,995 million yen at the end of the current consolidated fiscal year, a decrease of 873 million yen from the end of the end of the previous consolidated fiscal year. Liabilities amounted to 12,941 million yen, an increase of 2,802 million yen from the end of the previous consolidated fiscal year. Net assets totaled 7,054 million yen, a decrease of 3,675 million yen from the end of the previous consolidated fiscal year. Consequently, the ratio of owners' equity was 35.1%.

#### (Assets)

Current assets increased 32.3% from the end of the previous year to 5,153 million yen. This is primarily because inventories, notes and accounts receivable-trade, and cash and deposits increased by 603 million yen, 377 million yen and 190 million yen, respectively.

Fixed assets decreased 12.6% to 14,842 million yen. This is primarily because property, plant and equipment decreased by 3,499 million yen due to depreciation and impairments.

#### (Liabilities)

Current liabilities increased 9.4% from the end of the previous year to 9,342 million yen. This is primarily because accounts payable-other decreased by 297 million yen, but notes and accounts payable-trade and current portion of long-term loans payable increased by 628 million yen and 289 million yen, respectively.

Fixed liabilities increased by 124.6% to 3,598 million yen. This is mainly because long-term loans payable increased by 1,710 million yen, related to the acquisition of a landfill site in Tomakomai City, Hokkaido.

#### (Net Assets)

Net assets decreased 34.6% to 7,054 million yen, mainly due to a net loss of 3,676 million yen as a result of posting an impairment loss of 3,701 million yen as extraordinary loss.

### (2) Cash Flows

As of March 31, 2010, cash and cash equivalents totaled 1,254 million yen on a consolidated basis, an increase of 205 million yen from as of March 31, 2009.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities totaled 563 million yen (increase of 652 million yen from the last year), mainly due to non-cash outflow items such as an impairment loss of 3,701 million yen and depreciation and amortization expenses of 583 million yen were included, despite net loss before income tax of 3,392 million yen.

#### (Cash Flows from Investing Activities)

Net cash used in investment activities amounted to 2,304 million yen (increase of 3,119 million yen from the last year) mainly due to purchase of stocks of subsidiaries and affiliates of 2,000 million yen and purchase of property, plant and equipment of 471 million yen.

#### (Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to 1,946 million yen (increase of 2,642 million yen from the last year) mainly due to an increase in loans payable related to the purchase of stocks of subsidiaries and affiliates.

## The Cash Flow Indicators:

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Shareholders' equity ratio	44.2%	53.6%	57.2%	51.3%	35.1%
Shareholders' equity ratio on a market price basis	62.6%	30.4%	41.8%	19.9%	42.1%
Debt-redemption years	-	-	5.05 year	-	13.10 year
Interest coverage ratio	-	-	6.55	-	3.60

(Note) Shareholders' equity ratio: Shareholders' equity/Total assets

Share ratio on a market price basis: Total market value of stock/Total assets

Debt-redemption years: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

1. Each indicator is calculated based on consolidated financial results.
2. Total market value of stock is calculated by: closing price at the year-end x outstanding shares at the year-end.
3. The operating cash flow in this table is cash flow from operating activities reported on the consolidated cash flow statement. Interest-bearing liabilities cover all liabilities reported on the consolidated balance sheet for which interest is paid. Interest payment used in the calculation of the interest coverage ratio is the amount of interest expense reported on the consolidated cash flow statement.
4. Debt redemption years and interest coverage ratio data are not included in the table above for the year ended March 2006, 2007 and 2009 as the operating cash flow was negative in these years.

### 3. Basic Corporate Policy for Profit Distribution

SANIX operates its business focusing on the return profit to shareholders. One of our business policies is to increase dividends to shareholders by expanding the scope of our operators and improving earnings, while ensuring stable dividends based on the ratio according to shareholders' equity and other factors.

However, during the current year, the Company will not pay dividends for the year, considering net loss was recorded. The Company will strive for further improvement of operating results so that it can make stable distribution of profits to shareholders in the next fiscal year, meeting shareholders' expectations, based on operating results and future plans for business development.

### 4. Business and Other Risks

Major risks that may affect the operating results and business of the SANIX Group are described below. Recognizing the possibility of occurrence of these risks, the SANIX Group endeavors to take proper measures to avert these risks and minimize the impact in the event of occurrence.

Certain future-related statements included in this document are estimates made by the Company based on the information available at the end of the current fiscal year.

#### (1) Laws and regulations concerning door-to-door-sales

Sales activities of the HS Division are mainly conducted by the door-to-door calls, which should be made in compliance with, and are subject to restrictions of, the Specific Commercial Transactions Law and the Consumer Contract Law. These laws and regulations are becoming severer lately, from the viewpoint to strengthen the protection for consumers. The Company ensures compliance with applicable laws and regulations in order to protect our customers. However, if the Division fails to comply with the current and future laws and regulations applicable to its businesses, the operating results or financial position of the Division may be negatively impacted.

(2) Movement in the door-to-door-sales industry

Any further detection of dishonest housing improvement operators, and subsequent reports in the media might have a negative impact on the Company's future business.

(3) Laws and regulations concerning waste treatment

The businesses of the ERD Division require certain approvals and permits of administrative authorities, should satisfy environmental emission standards and should comply with the provisions of laws and regulations concerning waste treatment. If the Division fails to comply with the current and future laws and regulations applicable to its businesses, or if revenue expansion is offset by a huge amount of costs necessary to comply with severer regulations, the operating results or financial position of the Division may be negatively impacted.

(4) Retention and development of human resources

The SANIX Group must recruit, retain and develop a number of competent workers engaged in sales, engineering and other functions in order to identify potential needs of customers, and to conduct operations of execution of contracts, service applications and customer control. The SANIX Group endeavors to recruit, retain and develop excellent workers through the adoption of the ability-based and performance-based personnel management policy, recruitment of experienced workers in addition to the recruitment of new school graduates, and provision of various training and education programs. However, the operating results of the Company may be negatively affected by a decline in the number of employees resulting from resigning of existing workers, lowering of productivity due to the addition of new workers.

(5) Resource recycling power generation system

The SANIX Energy Tomakomai Power Plant plays a core part in the Company's resource-recycling power plant business, using waste plastics as its fuel. As a result of the reinforcement of its disaster prevention system and improvement and maintenance of the waste plastic fuel quality, the Tomakomai Plant has maintained consistent operation since August 2007. However, since the fuel is reprocessed from waste plastic, its quality or nature is not always uniform, which may give adverse effect on the stable and continuous operation of the power plant, and, in turn, on the operating results and financial position of the Company.

(6) Industrial accident/ disaster

The SANIX Group endeavors to achieve accident-free and disaster-free operations in all aspects of its businesses. However, if a material industrial accident or disaster occurs in any plant of the SANIX Group, its reputation in society will be damaged, payment of compensations for damage and other costs will be incurred to respond to such accident/disaster. In addition, during the suspension of operation caused by such accident/disaster, the Company will incur opportunity loss, which may have negative impact on the operating results and financial position of the Company.

## II. Group Outline

The SANIX Group is composed of SANIX Incorporated and 7 subsidiaries. SANIX's core businesses are residential environmental sanitation and maintenance, sanitation services for office buildings, intermediate processing of industrial waste and electricity generation with a focus on recycling resources.

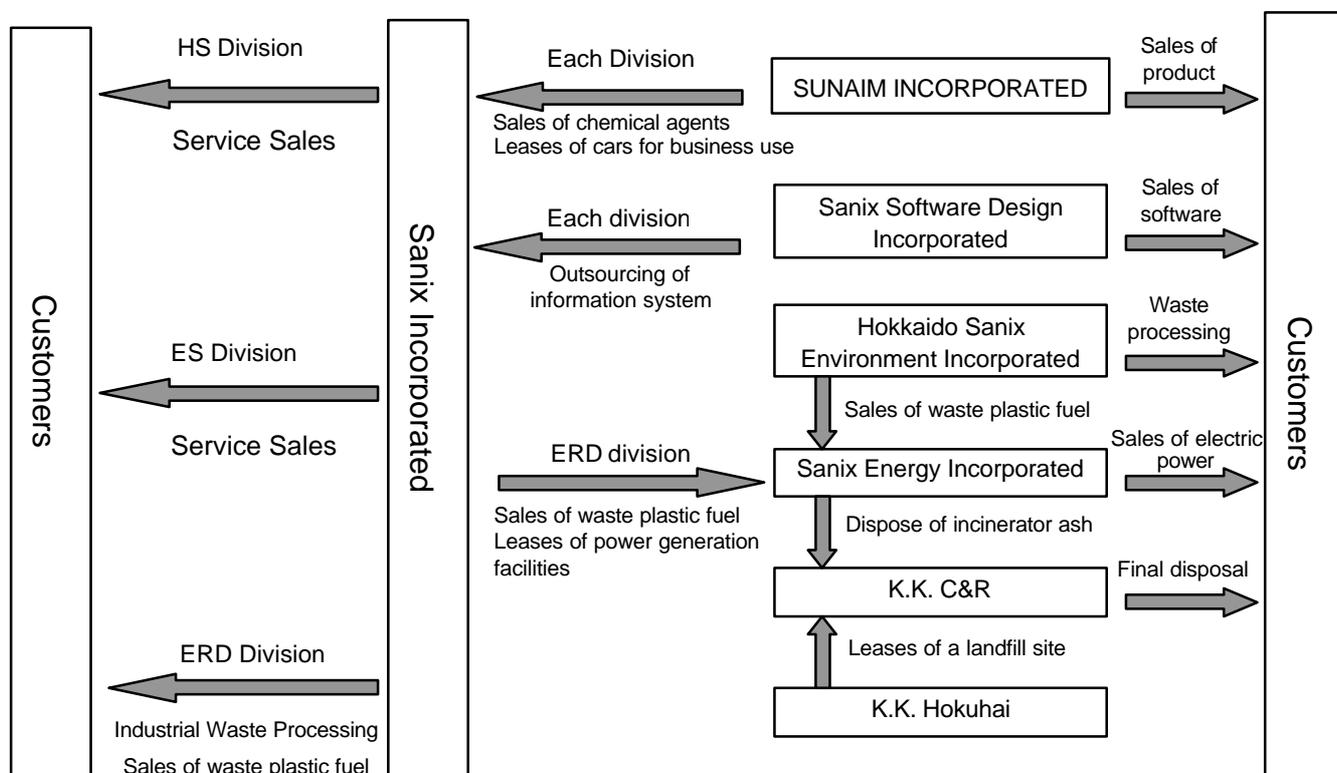
These businesses are operated by each group company as shown below.

**HS Division:** The Company offers environmental sanitation services for ordinary houses. The main services and products are Termite Eradication Service, Foundation Repairing Treatment, Under-Roof/Floor Ventilation System, and Solar Photovoltaic Power Generation System.

**ES Division:** The Company offers environmental sanitation services for offices and condominium. The main services are Anti-rust equipment installation, Repair of building water-works and Waterproofing of building.

**ERD Division:** The Company is engaged in the intermediary processing business, mainly recycling industrial wastes. The Company sells waste plastic fuel processed at its plastic recycling plants to its consolidated subsidiary companies including Sanix Energy Incorporated. Sanix Energy generates and sells electricity by using waste plastic fuel as its main fuel, purchased from Sanix and Hokkaido Sanix Environment Incorporated, Sanix's consolidated subsidiary. K.K. C&R, Sanix's consolidated subsidiary, disposes of incinerator ash from Sanix Energy. K.K. Hokuai, Sanix's consolidated subsidiary, leases facilities including a landfill site to K.K. C&R.

The Company purchases chemicals used in each division, and leases vehicles for operations, from Sunaim Incorporated, its consolidated subsidiary. The Company purchased information system services relating to each of its divisions from Sanix Software Design Incorporated.



### **III. Business Policies**

#### **1. Fundamental Business Policies**

Our corporate mission since our founding has been “Cleaning Up and Sanitizing Our Environment.” Under this concept, we have provided a broad range of environmental sanitation services to society. SANIX offers residential and commercial environmental sanitation services, and facility maintenance services for office buildings, apartment buildings, and other facilities. It is also engaged in industrial waste processing, focusing chiefly on waste recycling; and electricity generation utilizing recycled plastic waste.

In these three areas, SANIX is aggressively developing its ecological business by exploring latent demand, improving services and technology and constantly tailoring services to best suit customer needs. In operating these businesses, SANIX is endeavoring to enhance its profitability and capital efficiency to maximize its corporate value.

#### **2. Target Management Indices**

The SANIX Group aims at continuous improvement in profits based on mid- and long-term business strategies. The Company will implement serious cost reduction efforts and strengthen management structure. Among various management indices, we should focus on the ratio of operating profit to revenues, which clearly reflects the status of our productivity and the balance with the costs. The Company targets at achieving the ratio of operating profit to revenues of 7.0% in the medium term.

#### **3. Medium- and Long-Term Business Strategies and Issues to Be Addressed**

##### **(1) HS Division**

The HS division will continue emphasizing compliance with applicable laws and regulations to ensure the protection of consumers. The division is determined to make efforts to create a marketing organization that is closely connected to the local community, and to provide existing customers good after-sales service through our Termite Eradication Service, Under-Roof/Floor Ventilation Systems, and Solar Photovoltaic Power Generation System. In the medium to long term, the Division aims to foster “Solar Photovoltaic Power Generation System” that we began marketing as the second mainstay in the division and expand our domestic market share with the price competitiveness. And the Division also aims to shed dependence on the door-to-door sales and strengthen corporate sales and wholesales.

##### **(2) ES Division**

The ES Division is cultivating markets mainly in the metropolitan areas where office buildings, apartment complexes, and other large facilities are concentrated. The Division provides, as its core business, maintenance and repairing service for water pipes in buildings and apartment houses. Through provision of regular maintenance programs to existing customers, the Division will also explore additional needs for maintenance and repairing of all facilities within their buildings. In the medium to long term, a corporate customer marketing system targeting realtors, facility management companies and other companies will be established. At the same time, efficiency in marketing and installation work should be improved to reduce costs and increase sales, which will lead to improvement in the operating profit ratio.

##### **(3) ERD Division**

The main business of ERD division is resource-recycling power generation by using fuel recycled from waste plastic in its recycling plants. As for the application of waste plastic processed by the Division's plants, the Division pursues sales to other customers than power plants to expand the sales volume of plastic fuel for which demand is high as an alternative of fossil fuel. Expansion of the customer base will contribute to improvement of its business profitability.

## 4. Challenges the Company faces

We expect that the business environment surrounding the Company will remain severe; however, the environmental industry will play an important role in society due to a rising demand for environmental protection. Under such circumstances, the following are managerial challenges to be tackled in order for our three main businesses to prosper.

### (1) Promotion of compliance

In order to be trusted by more customers and to provide comfortable environment more extensively, one of the most important issues for the Company, as the leading "Eco Business" company, is promoting strict compliance with laws and regulations, from the viewpoint of consumer protection, following our principle of "Customers Come First." Education and training will be provided regularly to employees to enhance their morality and knowledge on legal compliance, to ensure delivery of safe and comfortable house environment to customers. At the same time, the Company pays close attention to environment conservation when conducting its operations, including ensuring proper treatment and disposition of industrial waste it generates.

### (2) Strengthening sales and management system

The Company needs to establish high quality sales and management systems, where we can increase close contact with our customers and cultivate underlying demand. SANIX, a team of experts, will firmly establish its brand image and employ efficient sales and management systems.

### (3) Recruitment and training of employees

In accordance with our Management Philosophy, "Our job is to educate and education means management", we are committed to improve corporate value and our services by recruiting more people and training employees. From the perspective of protecting customers, we are required to ensure compliance with applicable laws and regulations. The Company considers it is our corporate mission to raise the quality of our employees as well as products and services. Specifically, we are determined to provide employees with substantial and specific training on recruitment, at each managerial class, and at each position.

### (4) Development of new products

A key issue for the Company is the development of new products and improvement of existing products. In HS division, our mission is to protect customers' wooden houses from damage caused by termites, humidity, and natural disasters such as typhoons and earthquakes so that we can provide a comfortable living environment. ES division needs to develop new services for maintaining corporate buildings. The Environmental Resources Development Division will strive for development of value-added alternatives to fossil fuel to create new market needs, including diversifying the applications of plastic fuel for which strong demand growth is expected.

### (5) Sales of waste plastic fuel

Along with increasing the amount of waste plastic processing, ERD division now sells waste plastic fuel as part of the creation of the so-called recycling oriented society. As waste plastic fuel could be an alternative energy source to fossil fuel, our foremost issue is to develop a suitable profile of this fuel, and secure the stable quality and volume of fuel production in order to meet customer demand.

### (6) Bolster disaster-prevention countermeasures

We make every effort to give first priority to safety at each plant in ERD division. Management takes seriously the gravity of the fire that occurred in the past, and has reviewed and strengthened its disaster prevention system to ensure safe operations of its business.

## 5. Other Significant Management Issues

No applicable matter.

## IV. Consolidated Financial Statements

### 1. Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31	
	FY2008	FY2009
<b>Assets:</b>		
Current Assets:		
Cash and deposits	1,064,885	1,254,960
Notes and accounts receivable-trade	1,678,368	2,055,714
Merchandise and finished goods	52,928	59,981
Raw materials and supplies	564,104	1,160,785
Deferred tax assets	111,342	287,590
Other	531,050	443,728
Allowance for doubtful accounts	(107,990)	(109,694)
Total Current Assets:	3,894,689	5,153,065
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	3,041,333	2,248,637
Machinery, equipment and vehicles, net	2,493,039	162,775
Land	9,535,429	8,979,529
Lease assets, net	95,761	16,369
Construction in progress	23,006	274,354
Other, net	139,030	146,649
Total Property, Plant and Equipment:	15,327,601	11,828,315
Intangible Fixed Assets:		
Goodwill	-	961,390
Other, net	77,307	61,884
Total Property, Plant and Equipment:	77,307	1,023,275
Investments and Other Assets:		
Investment securities	368,537	367,267
Lease and guarantee deposits	1,069,789	960,425
Deferred tax assets	19,546	318,483
Other	523,423	762,182
Allowance for doubtful accounts	(411,572)	(417,297)
Total Investments and Other Assets:	1,569,724	1,991,062
Total Fixed Assets:	16,974,634	14,842,653
<b>Total Assets:</b>	20,869,323	19,995,719

(Thousands of Yen)

	As of March 31	
	FY2008	FY2009
<b>Liabilities:</b>		
Current Liabilities:		
Notes and accounts payable-trade	530,469	1,159,167
Short-term loans payable	5,316,000	5,345,000
Current portion of long-term loans payable	19,316	308,856
Accounts payable-other	1,438,811	1,141,749
Accrued expenses	700,585	731,169
Accrued income taxes	62,995	74,757
Lease obligations	159,584	161,477
Income taxes payable	96,704	143,263
Provision for bonuses	109,032	68,032
Allowance for resource-recycling expenses	13,504	21,987
Other	89,456	186,922
Total Current Liabilities:	8,536,460	9,342,383
Non-Current Liabilities:		
Long-term loans payable	15,500	1,726,168
Lease obligations	157,433	122,732
Deferred tax liabilities	23,011	22,877
Long-term lease deposited	46,216	46,216
Provision for retirement benefits	1,130,617	1,212,181
Provision for directors' retirement benefits	229,845	209,895
Provision for disposal site closing expenses	-	258,722
Total Non-Current Liabilities:	1,602,624	3,598,793
<b>Total Liabilities:</b>	10,139,085	12,941,176
<b>Net Assets:</b>		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Capital surplus	1,758,841	-
Retained earnings	(3,523,538)	(5,440,972)
Treasury stock	(1,610,705)	(1,610,755)
Total Shareholders' Equity:	10,666,432	6,990,107
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	34,636	34,396
Total Valuation and translation adjustments:	34,636	34,396
Minority Interests:	29,169	30,039
<b>Total Net Assets:</b>	10,730,238	7,054,542
<b>Total Liabilities and Net Assets:</b>	20,869,323	19,995,719

## 2. Consolidated Statement of Income

(Thousands of Yen)

	from April 1 to March 31	
	FY2008	FY2009
Net sales	25,233,705	<b>24,539,316</b>
Cost of sales	14,674,955	<b>14,621,057</b>
Gross profit	10,558,750	<b>9,918,259</b>
Selling, general and administrative expenses	11,155,329	<b>9,527,983</b>
Operating income (loss)	(596,578)	<b>390,275</b>
Non-operating income:		
Interest income	7,732	<b>7,141</b>
Dividends income	17,592	<b>7,117</b>
Commission for insurance office work	4,926	<b>4,477</b>
Land and house rent revenue	67,210	<b>67,279</b>
Other	24,574	<b>38,438</b>
Total non-operating income	122,036	<b>124,454</b>
Non-operating expenses:		
Interest expenses	143,259	<b>156,637</b>
Comission fee	-	<b>129,393</b>
Rent expenses	2,352	<b>2,308</b>
Other	231	<b>1,512</b>
Total non-operating expenses	145,844	<b>289,851</b>
Ordinary income (loss)	(620,385)	<b>224,877</b>
Extraordinary income:		
Insurance income	610,339	<b>3,084</b>
Gain on insurance adjustment	-	<b>14,553</b>
Gain on sales of investment securities	2,245	<b>21</b>
Reversal of allowance for doubtful accounts	-	<b>136</b>
Reversal of provision for bonuses	-	<b>53,632</b>
Gain on revision of retirement benefit plan	-	<b>87,255</b>
Gain on sales of fixed assets	688	<b>3,499</b>
Total extraordinary income	613,273	<b>162,183</b>
Extraordinary loss:		
Loss on sales of fixed assets	96	<b>115</b>
Loss on retirement of fixed assets	11,953	<b>8,847</b>
Impairment loss	3,313,133	<b>3,701,159</b>
Loss on cancellation of lease contracts	4,171	<b>3,268</b>
Loss on valuation of investment securities	41,303	<b>852</b>
Loss on valuation of membership	9,861	<b>3,700</b>
Loss on closing of stores	44,518	-
Loss on disaster	569,501	<b>1,940</b>
Enterprise tax for prior periods	-	<b>59,406</b>
Total extraordinary loss	3,994,542	<b>3,779,289</b>
Income (loss) before income taxes and minority interests	(4,001,654)	<b>(3,392,228)</b>
Income taxes-current	105,970	<b>141,506</b>
Income taxes-deferred	30,259	<b>141,345</b>
Total income taxes	136,230	<b>282,851</b>
Minority interests in income	7,374	<b>1,195</b>
Net income (loss)	(4,145,259)	<b>(3,676,275)</b>

### 3. Consolidated Statements of Changes in Net Assets

(Thousands of Yen)

	from April 1 to March 31	
	FY2008	FY2009
<b>Shareholders' Equity</b>		
Capital stock:		
Balance at the end of previous period	14,041,834	<b>14,041,834</b>
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	14,041,834	<b>14,041,834</b>
Capital surplus:		
Balance at the end of previous period	4,425,946	<b>1,758,841</b>
Changes of items during the period		
Deficit disposition	(2,667,105)	<b>(1,758,841)</b>
Total changes of items during the period	(2,667,105)	<b>(1,758,841)</b>
Balance at the end of current period	1,758,841	-
Retained earnings:		
Balance at the end of previous period	(2,045,384)	<b>(3,523,538)</b>
Changes of items during the period		
Net income	(4,145,259)	<b>(3,676,275)</b>
Deficit disposition	2,667,105	<b>1,758,841</b>
Total changes of items during the period	(1,478,153)	<b>(1,917,433)</b>
Balance at the end of current period	(3,523,538)	<b>(5,440,972)</b>
Treasury Stock:		
Balance at the end of previous period	(1,610,673)	<b>(1,610,705)</b>
Changes of items during the period		
Purchase of treasury stock	(97)	<b>(50)</b>
Disposal of treasury stock	66	-
Total changes of items during the period	(31)	<b>(50)</b>
Balance at the end of current period	(1,610,705)	<b>(1,610,755)</b>
Total Shareholders' Equity:		
Balance at the end of previous period	14,811,722	<b>10,666,432</b>
Changes of items during the period		
Net income	(4,145,259)	<b>(3,676,275)</b>
Purchase of treasury stock	(97)	<b>(50)</b>
Disposal of treasury stock	66	-
Total changes of items during the period	(4,145,290)	<b>(3,676,325)</b>
Balance at the end of current period	10,666,432	<b>6,990,107</b>

(Thousands of Yen)

	from April 1 to March 31	
	FY2008	FY2009
<b>Valuation and Translation Adjustments:</b>		
Valuation difference on available- for-sale securities		
Balance at the end of previous period	29,214	34,636
Changes of items during the period		
Net changes of items other than shareholders' equity	5,422	(240)
Total changes of items during the period	5,422	(240)
Balance at the end of current period	34,636	34,396
<b>Total Valuation and Translation Adjustments:</b>		
Balance at the end of previous period	29,214	34,636
Changes of items during the period		
Net changes of items other than shareholders' equity	5,422	(240)
Total changes of items during the period	5,422	(240)
Balance at the end of current period	34,636	34,396
<b>Minority Interests:</b>		
Balance at the end of previous period	22,119	29,169
Changes of items during the period		
Net changes of items other than shareholders' equity	7,049	870
Total changes of items during the period	7,049	870
Balance at the end of current period	29,169	30,039
<b>Total Net Assets:</b>		
Balance at the end of previous period	14,863,056	10,730,238
Changes of items during the period		
Net income	(4,145,259)	(3,676,275)
Purchase of treasury stock	(97)	(50)
Disposal of treasury stock	66	-
Net changes of items other than owners' equity	12,471	629
Total changes of items during the period	(4,132,818)	(3,675,695)
Balance at the end of current period	10,730,238	7,054,542

#### 4. Consolidated Cash Flow Statement

(Thousands of Yen)

	From April 1 to March 31	
	FY2008	FY2009
<b>Net Cash Provided by (Used in) Operating Activities:</b>		
Income before income taxes and minority interests	(4,001,654)	<b>(3,392,228)</b>
Depreciation and amortization	910,290	<b>583,319</b>
Impairment loss	3,313,133	<b>3,701,159</b>
Loss on disaster	569,501	<b>1,940</b>
Insurance income	(610,339)	<b>(3,084)</b>
Gain on insurance claim	-	<b>(14,553)</b>
Increase/ Decrease in reserve for retirement benefits	88,594	<b>59,414</b>
Increase/ Decrease in reserve for directors' retirement benefits	(9,854)	<b>(19,949)</b>
Increase/ Decrease in provision for bonuses	(4,086)	<b>(41,000)</b>
Decrease in allowance for resource-recycling expenses	(296,972)	<b>8,482</b>
Amortization of goodwill	-	<b>56,003</b>
Increase/decrease in allowance for doubtful accounts	35,545	<b>1,783</b>
Interest and dividends income	(25,325)	<b>(14,259)</b>
Interest expenses	143,259	<b>156,637</b>
Commission fee	145	<b>129,393</b>
Gain/ Loss on sales of investment securities	(2,245)	<b>(21)</b>
Gain/ Loss on valuation of investment securities	41,303	<b>852</b>
Loss on valuation of membership	9,861	<b>3,700</b>
Gain/ Loss on sales of fixed assets	(591)	<b>(3,384)</b>
Loss on retirement of fixed assets	11,953	<b>8,847</b>
Loss on store closings	44,518	-
Increase/ Decrease in notes and accounts receivable-trade	177,215	<b>41,574</b>
Increase/ Decrease in inventories	127,712	<b>(603,733)</b>
Increase/ Decrease in other current assets	57,403	<b>(171,276)</b>
Decrease in notes and accounts payable-trade	(86,250)	<b>545,851</b>
Increase/ Decrease in consumption tax refund receivable	(123,711)	<b>34,810</b>
Increase/ Decrease in other current liabilities	(233,689)	<b>(419,996)</b>
Other	(78,772)	<b>157,652</b>
Subtotal	<b>56,943</b>	<b>807,936</b>
Interest and dividends income received	24,429	<b>14,219</b>
Interest expenses paid	(127,666)	<b>(139,823)</b>
Payment for damage repairing	(269,501)	<b>(174,806)</b>
Proceeds from damage insurance	310,339	<b>190,503</b>
Income taxes paid	(87,280)	<b>(134,688)</b>
Income taxes refund	4,049	-
<b>Net cash provided by operating activities:</b>	<b>(88,686)</b>	<b>563,341</b>

(Thousands of Yen)

	From April 1 to March 31	
	FY2008	FY2009
<b>Net Cash Provided by (Used in) Investment Activities:</b>		
Payments into time deposits	(15,000)	(5,000)
Proceeds from withdrawal of time deposits	-	20,000
Proceeds from sales of investment securities	8,280	36
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(2,000,000)
Proceeds from sales of property, plant and equipment	1,166,532	179,137
Purchase of property, plant and equipment	(357,757)	(471,912)
Payments for lease and guarantee deposits	(24,782)	(44,124)
Proceeds from collection of lease and guarantee deposits	49,665	127,105
Other	(12,046)	(109,675)
<b>Net cash provided by investing activities:</b>	<b>814,892</b>	<b>(2,304,431)</b>
<b>Net Cash Provided by (Used in) Financing Activities:</b>		
Increase (decrease) in short-term loans payable	(289,000)	29,000
Proceeds from long-term loans payable	-	2,020,000
Repayment of long-term loans payable	(196,004)	(19,792)
Repayments of finance lease obligations	(10,298)	(62,565)
Net decrease/ increase in treasury stock	(31)	(50)
Cash dividends paid	(689)	(348)
Other	(200,145)	(20,079)
<b>Net cash provided by financing activities:</b>	<b>(696,168)</b>	<b>1,946,164</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,036</b>	<b>205,074</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,019,848</b>	<b>1,049,885</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1,049,885</b>	<b>1,254,960</b>

## Segment Information

### a. Segment Information by Type of Business

Prior consolidated fiscal year (From April 1, 2008 to March 31, 2009)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
<b>1. Sales, operating income or loss*</b>						
Sales:						
(1)Sales to customers . . . . .	14,657,134	2,976,219	7,600,352	25,233,705	-	25,233,705
(2)Internal sales among segments and transfer accounts. . . . .	-	-	70	70	(70)	-
Total . . . . .	14,657,134	2,976,219	7,600,422	25,233,776	(70)	25,233,705
Operating expenses . . . . .	11,186,804	3,065,776	9,418,774	23,671,355	2,158,929	25,830,284
Operating income(loss) . . . . .	3,470,329	(89,557)	(1,818,351)	1,562,421	(2,159,000)	(596,578)
<b>2. Assets, depreciation expenses, impairment loss and capital expenditures</b>						
Assets . . . . .	3,256,231	1,141,261	11,464,014	15,861,507	5,007,815	20,869,323
Depreciation expenses . . . . .	61,181	6,227	774,695	842,104	66,547	908,651
Impairment loss . . . . .	-	-	2,980,133	2,980,133	333,000	3,313,133
Capital expenditures. . . . .	19,688	-	534,544	554,232	23,646	577,878

Current consolidated fiscal year (From April 1, 2009 to March 31, 2010)

(Thousands of Yen)

Segments	HS	ES	ERD	Total	Elimination or Group	Consolidated
<b>1. Sales, operating income or loss*</b>						
Sales:						
(1)Sales to customers . . . . .	14,056,685	2,547,911	7,934,719	24,539,316	-	24,539,316
(2)Internal sales among segments and transfer accounts. . . . .	-	-	-	-	-	-
Total . . . . .	14,056,685	2,547,911	7,934,719	24,539,316	-	24,539,316
Operating expenses . . . . .	10,691,312	2,336,704	9,047,079	22,075,096	2,073,944	24,149,041
Operating income(loss) . . . . .	3,365,373	211,206	(1,112,360)	2,464,219	(2,073,944)	390,275
<b>2. Assets, depreciation expenses, impairment loss and capital expenditures</b>						
Assets . . . . .	4,179,051	1,071,479	9,840,016	15,090,547	4,905,171	19,995,719
Depreciation expenses . . . . .	58,952	5,651	510,501	575,105	64,217	639,322
Impairment loss . . . . .	6,883	-	3,694,275	3,701,159	-	3,701,159
Capital expenditures. . . . .	35,642	1,164	1,497,040	1,533,847	15,763	1,549,611

# V. Non-Consolidated Financial Statements

## 1. Non-Consolidated Balance Sheet

(Thousands of Yen)

	As of March 31	
	FY2008	FY2009
<b>Assets:</b>		
Current Assets:		
Cash and deposits	770,838	787,028
Notes receivable-trade	65,620	42,374
Accounts receivable-trade	1,505,196	1,758,512
Merchandise and finished goods	52,928	59,981
Raw materials and supplies	424,398	1,057,680
Advance payments-trade	26,895	176,811
Prepaid expenses	128,189	119,598
Deferred tax assets	110,000	110,000
Accounts receivable-other	483,579	333,564
Other	50,543	166,391
Allowance for doubtful accounts	(108,000)	(110,000)
Total Current Assets:	3,510,190	4,501,943
Fixed Assets:		
Property, Plant and Equipment:		
Buildings, net	2,269,113	1,991,350
Structures, net	763,060	86,063
Machinery, equipment, net	2,473,397	7,644
Vehicles, net	1,440	71
Tools, furniture and fixtures, net	132,156	139,928
Land	9,535,429	8,793,536
Lease assets, net	95,761	8,926
Construction in progress	22,331	14,354
Total Property, Plant and Equipment:	15,292,691	11,041,875
Intangible Fixed Assets:		
Telephone subscription right	52,619	52,298
Lease assets	10,444	8,206
Other, net	1,227	26
Total Intangible Fixed Assets:	64,291	60,530
Investments and Other Assets:		
Investment securities	367,805	366,601
Stocks of subsidiaries and affiliates	73,500	51,900
Investments in capital	2,760	2,760
Long-term loans receivable from subsidiaries and affiliates	512,000	2,000,000
Claims provable in bankruptcy, claims provable in rehabilitation and oth	339,298	341,557
Long-term prepaid expenses	61,669	94,490
Lease and guarantee deposits	991,465	911,810
Membership	116,519	115,519
Other	30,634	-
Allowance for doubtful accounts	(781,857)	(417,297)
Total Investments and Other Assets:	1,713,794	3,467,342
Total Fixed Assets:	17,070,777	14,569,748
<b>Total Assets:</b>	<b>20,580,967</b>	<b>19,071,691</b>

(Thousands of Yen)

	As of March 31	
	FY2008	FY2009
<b>Liabilities:</b>		
Current Liabilities:		
Notes payable-trade	53,267	188,983
Accounts payable-trade	503,113	880,029
Short-term loans payable	5,316,000	5,245,000
Current portion of long-term loans payable	-	300,000
Lease obligations	62,995	72,843
Accounts payable-other	1,855,694	1,706,764
Accrued expenses	670,521	695,215
Income taxes payable	135,421	113,170
Accrued consumption taxes	85,141	134,636
Advances received	8,887	65,242
Deposits received	71,584	81,595
Unearned revenue	6,237	6,236
Provision for bonuses	98,118	49,612
Allowance for resource-recycling expenses	13,504	21,987
Total Current Liabilities:	8,880,487	9,561,318
Non-Current Liabilities:		
Long-term loans payable	-	1,700,000
Lease obligations	157,433	116,671
Deferred tax liabilities	23,011	22,877
Long-term lease deposited	47,142	47,142
Provision for retirement benefits	1,099,176	1,151,984
Provision for directors' retirement benefits	228,970	207,520
Total Non-Current Liabilities:	1,555,734	3,246,195
<b>Total Liabilities:</b>	10,436,221	12,807,514
<b>Net Assets:</b>		
Shareholders' Equity:		
Capital stock	14,041,834	14,041,834
Capital surplus	1,758,841	-
Retained earnings	(4,079,742)	(6,201,217)
Treasury stock	(1,610,705)	(1,610,755)
Total Shareholders' Equity:	10,110,228	6,229,862
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	34,517	34,315
Total Valuation and translation adjustments:	34,517	34,315
<b>Total Net Assets:</b>	10,144,746	6,264,177
<b>Total Liabilities and Net Assets:</b>	20,580,967	19,071,691

## 2. Non-Consolidated Statement of Income

(Thousands of Yen)

	from April 1 to March 31	
	FY2008	FY2009
Net sales	23,372,597	22,647,457
Cost of sales	13,137,896	13,524,187
Gross profit	10,234,701	9,123,270
Selling, general and administrative expenses	10,868,747	9,181,337
Operating income (loss)	(634,046)	(58,067)
Non-operating income:		
Interest income	6,839	29,028
Dividends income	18,207	17,776
Commission for insurance office work	4,926	4,477
Land and house rent revenue	158,020	158,159
Other	33,665	45,779
Total non-operating income	221,658	255,221
Non-operating expenses:		
Interest expenses	142,480	155,425
Commission fee	-	129,313
Rent expenses	112,369	81,096
Other	136	46
Total non-operating expenses	254,986	365,882
Ordinary income (loss)	(667,374)	(168,728)
Extraordinary income:		
Insurance income	610,339	3,084
Gain on insurance adjustment	-	14,553
Gain on sales of investment securities	2,245	21
Gain on sales of subsidiaries and affiliates' stocks	-	500
Reversal of allowance for doubtful accounts	-	234
Reversal of provision for bonuses	-	53,632
Gain on revision of retirement benefit plan	-	87,255
Gain on sales of fixed assets	887	2,846
Total extraordinary income	613,473	162,128
Extraordinary loss:		
Loss on sales of fixed assets	96	-
Loss on retirement of fixed assets	11,953	8,692
Loss on cancellation of lease contracts	4,171	3,268
Loss on disaster	569,501	1,940
Impairment loss	2,976,535	3,694,275
Loss on valuation of investment securities	41,303	852
Loss on valuation of stocks of subsidiaries and affiliates	-	21,599
Loss on valuation of membership	9,861	3,700
Loss on closing of stores	44,518	-
Loss on liquidation of subsidiaries and affiliates	236,132	-
Enterprise tax for prior periods	-	59,406
Total extraordinary loss	3,894,075	3,793,734
Income (loss) before income taxes and minority interests	(3,947,976)	(3,800,335)
Income taxes-current	81,765	79,980
Income taxes-deferred	50,000	-
Total income taxes	131,765	79,980
Net income (loss)	(4,079,742)	(3,880,316)

### 3. Non-consolidated Statement of Changes in Net Assets

(Thousands of Yen)

	from April 1 to March 31	
	FY2008	FY2009
<b>Shareholders' Equity</b>		
Capital stock:		
Balance at the end of previous period	14,041,834	<b>14,041,834</b>
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	<u>14,041,834</u>	<u><b>14,041,834</b></u>
Capital surplus:		
Balance at the end of previous period	4,425,946	-
Changes of items during the period		
Reversal of legal capital surplus	(2,667,105)	<b>(1,758,841)</b>
Total changes of items during the period	<u>(2,667,105)</u>	<u><b>(1,758,841)</b></u>
Balance at the end of current period	<u>1,758,841</u>	<u>-</u>
Retained earnings:		
Balance at the end of previous period	(2,667,105)	<b>(4,079,742)</b>
Changes of items during the period		
Net income	(4,079,742)	<b>(3,880,316)</b>
Deficit disposition	2,667,105	<b>1,758,841</b>
Total changes of items during the period	<u>(1,412,637)</u>	<u><b>(2,121,474)</b></u>
Balance at the end of current period	<u>(4,079,742)</u>	<u><b>(6,201,217)</b></u>
Treasury Stock:		
Balance at the end of previous period	(1,610,673)	<b>(1,610,705)</b>
Changes of items during the period		
Purchase of treasury stock	(97)	<b>(50)</b>
Disposal of treasury stock	66	-
Total changes of items during the period	<u>(31)</u>	<u><b>(50)</b></u>
Balance at the end of current period	<u>(1,610,705)</u>	<u><b>(1,610,755)</b></u>
Total Shareholders' Equity:		
Balance at the end of previous period	14,190,002	<b>10,110,228</b>
Changes of items during the period		
Net income	(4,079,742)	<b>(3,880,316)</b>
Purchase of treasury stock	(97)	<b>(50)</b>
Disposal of treasury stock	66	-
Total changes of items during the period	<u>(4,079,773)</u>	<u><b>(3,880,366)</b></u>
Balance at the end of current period	<u>10,110,228</u>	<u><b>6,229,862</b></u>

(Thousands of Yen)

	from April 1 to March 31	
	FY2008	FY2009
<b>Valuation and Translation Adjustments:</b>		
Valuation difference on available- for-sale securities		
Balance at the end of previous period	29,067	34,517
Changes of items during the period		
Net changes of items other than shareholders' equity	5,450	(202)
Total changes of items during the period	5,450	(202)
Balance at the end of current period	34,517	34,315
<b>Total Valuation and Translation Adjustments:</b>		
Balance at the end of previous period	29,067	34,517
Changes of items during the period		
Net changes of items other than shareholders' equity	5,450	(202)
Total changes of items during the period	5,450	(202)
Balance at the end of current period	34,517	34,315
<b>Total Net Assets:</b>		
Balance at the end of previous period	14,219,070	10,144,746
Changes of items during the period		
Net income	(4,079,742)	(3,880,316)
Purchase of treasury stock	(97)	(50)
Disposal of treasury stock	66	-
Net changes of items other than shareholders' equity	5,450	(202)
Total changes of items during the period	(4,074,323)	(3,880,568)
Balance at the end of current period	10,144,746	6,264,177

## VI. Others

### Consolidated Net Sales by Division

(Thousands of Yen)

	Full Year		Changes
	from April 1 to March 31		
	FY2008	FY2009	
Termite eradication service . . . . .	5,288,667	<b>4,775,658</b>	(513,009)
Foundation repairing treatment . . . . .	4,374,361	<b>2,584,195</b>	(1,790,166)
Under-roof/floor ventilation system . . . . .	2,549,838	<b>2,996,835</b>	446,996
Home reinforcement system . . . . .	410,317	<b>393,530</b>	(16,786)
Solar photovoltaic power generation system . . . . .	-	<b>1,086,879</b>	1,086,879
Other . . . . .	2,033,948	<b>2,219,586</b>	185,638
<b>Home Sanitation Division Total:</b>	14,657,134	<b>14,056,685</b>	(600,448)
Anti-rust equipment installation . . . . .	721,745	<b>693,880</b>	(27,864)
Repair of building water-works . . . . .	876,888	<b>869,619</b>	(7,269)
Waterproofing of building . . . . .	493,423	<b>197,871</b>	(295,552)
Other . . . . .	884,161	<b>786,540</b>	(97,620)
<b>Establishment Sanitation Division Total:</b>	2,976,219	<b>2,547,911</b>	(428,307)
Industrial waste (Waste plastic processing) . . . . .	3,603,757	<b>4,295,771</b>	692,014
Industrial waste (Organic Waste Water Recycle) . . . . .	1,833,997	<b>1,474,480</b>	(359,517)
Generation of electricity . . . . .	1,550,989	<b>1,276,291</b>	(274,698)
Final disposal . . . . .	-	<b>415,694</b>	415,694
Other . . . . .	611,607	<b>472,480</b>	(139,126)
<b>Environmental Resources Development Division Total:</b>	7,600,352	<b>7,934,719</b>	334,367
<b>Total Net Sales:</b>	25,233,705	<b>24,539,316</b>	(694,389)